

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2018-3-E**

In the Matter of:

Annual Review of Base Rates for Fuel  
Costs for Duke Energy Carolinas, LLC

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**REBUTTAL TESTIMONY OF  
ERIC GRANT FOR  
DUKE ENERGY CAROLINAS, LLC**

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1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND CURRENT**  
2 **POSITION.**

3 A. My name is Eric Grant. I am Vice President, Fuels & Systems Optimization for Duke  
4 Energy Corporation, and my business address is 526 South Church Street, Charlotte, North  
5 Carolina 28202.

6 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN SUPPORT OF THE**  
7 **APPLICATION OF DUKE ENERGY CAROLINAS, LLC (“DEC”) IN THIS**  
8 **DOCKET?**

9 A. Yes, I filed direct testimony discussing DEC’s fossil fuel purchasing practices.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. The purpose of my rebuttal testimony is to respond to recommendations made in the  
12 testimony of Witness Kevin O’Donnell submitted by the South Carolina Energy Users  
13 Committee. In particular, my testimony addresses Witness O’Donnell’s recommendations  
14 regarding increased reporting requirements for fuel procurement practices and explains  
15 why DEC is opposed to those recommendations.

16 **Q. PLEASE GIVE A BRIEF OVERVIEW OF WITNESS O’DONNELL’S**  
17 **RECOMMENDATIONS.**

18 A. Witness O’Donnell asks this Commission to require DEC and all other South Carolina  
19 utilities to provide:

- 20 1. Hourly pricing of natural gas purchases by DEC (separated by long-term  
21 capacity prices and by short-term economy purchases);
- 22 2. Hourly market price for natural gas at Zone 5 Transco;

3. Hourly marginal pricing of electricity produced by DEC;
4. Hourly price of open market power examined by DEC for supplying native load along with specific locations of the power; and
5. For the highest cost 100 hours of the year, a written description of why DEC chose to self-supply versus buy energy on the open market.

**Q. PLEASE PROVIDE AN OVERVIEW OF DEC'S POSITION ON THESE RECOMMENDATIONS.**

A. The recommendations are unnecessary, unworkable, enormously burdensome, and they would be of little utility to the Office of Regulatory Staff ("ORS") or to this Commission.

**Q. PLEASE EXPLAIN WHY YOU SAY THE RECOMMENDATIONS ARE UNNECESSARY?**

A. As this Commission is well aware, DEC's fuel clause related purchasing practices are reviewed on an annual basis. DEC provides information to the ORS and other parties on a regular basis during the year and is subject to audit by the ORS and discovery by intervenors as a part of the annual proceedings. As I understand it, the ORS has the statutory authority to request that DEC provide information that the ORS determines is necessary for its annual review of DEC's practices regarding fuel procurement, generation dispatch, and power market purchases. It has been my experience that DEC provides substantial quantities of information to the ORS that is reviewed by ORS staff and Company employees are then interviewed by the ORS staff. I do not want to speak for the ORS but it is my impression that they are able to obtain sufficient information through the existing process to meet their statutory obligations for reviewing DEC's fuel expenses.

1 **Q. DOES THE ORS REQUEST HOURLY INFORMATION RECOMMENDED BY**  
2 **WITNESS O'DONNELL DURING THE ANNUAL ORS REVIEWS THAT YOU**  
3 **HAVE DESCRIBED?**

4 A. In my experience, ORS has requested certain hourly information, like Witness O'Donnell  
5 mentions in his testimony, but such requests have been limited to a selective sample (as  
6 opposed to hourly data for the entire year). These requests take extensive time to assemble,  
7 and often require a discussion with ORS to help convey the context of the information and  
8 operational factors that influence the resulting hourly data. In many cases, it would be  
9 difficult to draw relevant conclusions from the hourly data recommended by Witness  
10 O'Donnell without also assessing all of the underlying factors such as forecasted weather,  
11 demand, power market conditions, generation conditions, transmission conditions,  
12 generating unit availability, etc.

13 **Q. IS DEC SUBJECT TO A SIMILAR REVIEW AND AUDIT PROCESS OF ITS**  
14 **FUEL EXPENSES IN NORTH CAROLINA?**

15 A. Yes, in North Carolina the Public Staff conducts an annual review of our fuel procurement  
16 practices. The process is very similar to the process that I described for South Carolina.

17 **Q. IN YOUR EXPERIENCE HAS THE NORTH CAROLINA PUBLIC STAFF**  
18 **REQUESTED HOURLY INFORMATION AS RECOMMENDED BY WITNESS**  
19 **O'DONNELL IN ITS REVIEW OF THE COMPANY'S PRACTICES RELATED**  
20 **TO FUEL EXPENSES?**

21 A. In my experience, the Public Staff has not requested the magnitude of hourly information  
22 recommended by Witness O'Donnell.

1 **Q. WHY DO YOU BELIEVE THAT WITNESS O'DONNELL'S**  
2 **RECOMMENDATIONS ARE UNWORKABLE?**

3 A. Witness O'Donnell recommends requiring DEC (and other utilities) to provide reporting  
4 on the hourly pricing of natural gas. That is not possible. There are no recorded "hourly"  
5 purchases of natural gas, as natural gas does not trade each hour. Natural gas transactions  
6 are traded on a "gas day" basis for the next gas day and for intraday periods to a lesser  
7 degree. There is no hourly gas market. For this reason, the recommendations as outlined  
8 by Witness O'Donnell could not be implemented.

9 **Q. DO YOU AGREE WITH THE RECOMMENDATION THAT THE COMPANY**  
10 **SHOULD BE REQUIRED TO PROVIDE, FOR THE HIGHEST COST 100 HOURS**  
11 **OF THE YEAR, A WRITTEN EXPLANATION OF THE COMPANY'S SPECIFIC**  
12 **FUEL AND PURCHASED POWER DECISIONS?**

13 A. No, I disagree with this recommendation for several reasons. First, the ORS's requests for  
14 selective samples of information as a part of its annual review and audit process already  
15 accomplishes the intent of this recommendation. Further, as I described earlier, the annual  
16 review includes production by the Company of documents and information and then an  
17 interview by ORS staff of DEC personnel who were involved in the procurement or  
18 operational processes. During the interviews, Company employees frequently discuss their  
19 decision-making processes and explain how those processes applied in specific situations.  
20 This annual review and audit process provides ORS a much more meaningful method by  
21 which prudence and reasonableness of purchasing decisions can be evaluated than the  
22 method suggested by Witness O'Donnell.

1 **Q. ARE THERE OTHER REASONS WHY YOU DISAGREE WITH THE**  
2 **RECOMMENDATION THAT THE COMPANY PREPARE A WRITTEN**  
3 **EXPLANATION OF ITS FUEL AND PURCHASED POWER DECISIONS FOR**  
4 **EACH OF 100 DIFFERENT HOURS DURING THE YEAR?**

5 A. Yes. Implementing this recommendation would be enormously burdensome and would  
6 require large amounts of the time of trained and experienced employees. Fuel procurement  
7 and operational dispatch decisions are extremely complex and are affected by a wide  
8 variety of factors and circumstances. The current ORS review and audit process allows the  
9 Company an opportunity to provide those explanations during the interviews. Requiring  
10 DEC to provide one hundred different written explanations for its procurement decisions  
11 would require the Company to add staff to produce reports that are not necessary given the  
12 wide latitude and comprehensive practices the ORS annual review and audit process  
13 currently provides.

14 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

15 A. Yes.